

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

09-20-07
04:59 PM

Order Instituting Rulemaking to
Promote Policy and Program
Coordination and Integration in Electric
Utility Resource Planning.

Rulemaking 04-04-003

Order Instituting Rulemaking to
Promote Consistency in Methodology
and Input Assumptions in Commission
Applications of Short-run and Long-run
Avoided Costs, Including Pricing for
Qualifying Facilities.

Rulemaking 04-04-025

NOTICE OF EX PARTE COMMUNICATION

Michael Alcantar
Alcantar & Kahl LLP
120 Montgomery Street
Suite 2200
San Francisco, CA 94104
415.421.4143 office
415.989.1263 fax
mpa@a-klaw.com

Counsel to the
Cognition Association of California
and the
Energy Producers and Users Coalition

September 20, 2007

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning.

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Rulemaking 04-04-025

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rule 8 of the Rules of Practice and Procedure of the California Public Utilities Commission , the Cogeneration Association of California¹ and the Energy Producers and Users Coalition² (jointly CAC/EPUC), submit this notice. This notice describes the following ex parte communication in the above-referenced consolidated proceedings.

On September 17, 2007, Michael Alcantar, counsel to CAC/EPUC met with Commissioner Dian Grueneich and advisor Theresa Cho, from approximately 2:30p to

¹ CAC represents the power generation, power marketing and cogeneration operation interests of the following entities: Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Kern River Cogeneration Company, Sycamore Cogeneration Company, Sargent Canyon Cogeneration Company, Salinas River Cogeneration Company, Midway Sunset Cogeneration Company and Watson Cogeneration Company.

² EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: BP America Inc. (including Atlantic Richfield Company), Chevron U.S.A. Inc., ConocoPhillips Company, Shell Oil Products US, THUMS Long Beach Company, Occidental Elk Hills, Inc., and Valero Refining Company - California.

3:00p. The meeting was held at the Commission's office in San Francisco and was initiated by counsel for CAC/EPUC.

Issues raised in CAC/EPUC's written comments were reviewed and discussed regarding the Alternate Proposed Decision. The attached handout outlined the discussion issues. CAC/EPUC urged the adoption of positions taken by CAC/EPUC in formal comments.

To request a copy of this notice, please contact:

Karen Terranova
Alcantar & Kahl LLP
120 Montgomery Street, Suite 2200
San Francisco, CA 94104
Telephone 415.421.4143
Email kt@a-klaw.com

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Alcantar", with a long horizontal flourish extending to the right.

Michael Alcantar
Counsel to the
Cogeneration Association of California
and the
Energy Producers & Users Coalition

September 20, 2007

Discussion Outline for Grueneich Alternate Decision
R.04-04-025; 04-04-003
September 12, 2007

- 1. Process for Review of the Alternate?** What QF issues warrant additional explanation? What issues raised by the utilities or other parties warrant QF responses? Who is drafting and providing guidance for the final decision?
- 2. Standard Offer – Need, Specific Terms or Guidance, Timing and Piecemeal Implementation Risks.**
 - a. Eliminate unwarranted and prejudicial delay in scheduling workshop and adopting a Standard Offer (SO);
 - b. Set specific and comprehensive framework for SO terms and conditions;
 - c. “Piecemeal” implementation of the Commission’s final decision;
 - d. CAC/EPUC offered fully integrated LRAC SO contract.
- 3. Definition of Small QFs** – Clarify the definition of “small” QFs eligible for SO contracts consistent with TURN & CAC/EPUC (as stated in the Alternate at 2, 3, 120, 144); 25 MW capacity 75% to grid, or equivalent energy limit in MWhs (164,250 MWhs).
- 4. LRAC Pricing – Capacity and Energy; Fixed Price Option.** –
 - a. Substantial evidence supports the Alternate’s LRAC pricing;
 - b. Establish a fixed heat rate energy pricing option for long term firm capacity resources at a reasonably discounted level (8,100 Btu/KWh) to allow these CHP projects to secure a long-term, predictable energy price stream (see savings table).
- 5. As-Available Capacity Pricing.** –
 - a. Reduction in capacity payment for Ancillary Service (AS) “credit” mistakenly assumes QFs are paid a peaker reservation fee for all hours whether they operate/dispatched or not – QFs are only paid when they actually deliver;
 - b. The SCE \$4.93 as-available capacity price was unlawful and warrants upward adjustment for periods beginning in 2003.
- 6. Legal Issues to Safeguard Decision.** –
 - a. Defend California’s long term CHP policy decision against predictable utility appellate challenges asserting mistaken claims of federal pre-emption;
 - b. California’s plenary legal authority over procurement, utility waiver under the RPS program, and the state’s authority pursuant to EPAct 2005 grandfathering should be explicitly stated in the decision.
- 7. MRTU and Implications for Long Term Policy.** – Specify the standards that the Commission will require to certify the viability of the MRTU “market” to reasonably establish utility avoided costs in the future.

Fixed Heat Rate Savings Calculation		
Line	Description	Assumptions & Calculations
1	Assumed Natural Gas Price (Annual Average)	\$7.50/MMBtu
2	Energy for 900 MW* at 90% Capacity Factor	7,095,600 MWh
3	Alternative PD Illustrative MIF Heat Rate	8,598 Btu/kWh
4	Proposed LRAC Fixed Heat Rate	<u>8,100 Btu/kWh</u>
5	Heat Rate Reduction	498 Btu/kWh
	Annual Reduced Energy Payment at Fixed Heat Rate	
6	Reduction [Line 2 x ((Line 1 x Line 5) ÷ 1000)]	<u>\$26,502,066.00</u>
* Watson, Sycamore & MSCC @ 900 MW		

CERTIFICATE OF SERVICE

I, Kari Harteloo, certify that I have caused the *NOTICE OF EX PARTE COMMUNICATION* to be served by electronic mail on the parties listed below in accordance with the Commission's rules.

Dated September 20, 2007 at Portland, Oregon.



Kari Harteloo

CALIFORNIA PUBLIC UTILITIES COMMISSION

Proceeding: R0404025

List Name: LISTQFISSUES

Last changed: September 19, 2007

and

Proceeding: R0404003

List Name: LISTQFISSUES

Last changed: September 19, 2007

anogee@ucsusa.org
roger@berlinerlawpllc.com
lisa.decker@constellation.com
jimross@r-c-s-inc.com
toms@i-cpg.com
pseby@mckennalong.com
todil@mckennalong.com
maureen@lennonassociates.com
douglass@energyattorney.com
berj.parseghian@sce.com
woodrujb@sce.com
janet.combs@sce.com
michael.backstrom@sce.com
daking@sempra.com
gbaker@sempra.com
cneedham@edisonmission.com
phil@reesechambers.com
mflorio@turn.org
cwl@cpuc.ca.gov

kpp@cpuc.ca.gov
map@cpuc.ca.gov
dwang@nrdc.org
ek@a-klaw.com
evk1@pge.com
magq@pge.com
saw0@pge.com
agrimaldi@mckennalong.com
kbowen@winston.com
jkarp@winston.com
jeffgray@dwt.com
alhj@pge.com
ssmyers@att.net
purves@grsllc.net
rick_noger@praxair.com
wbooth@booth-law.com
hoerner@redefiningprogress.org
cchen@ucsusa.org
elarsen@rcmdigesters.com

gmorris@emf.net
nrader@calwea.org
tomb@crossborderenergy.com
pcmcdonnell@earthlink.net
wem@igc.org
michaelboyd@sbcglobal.net
joyw@mid.org
brbarkovich@earthlink.net
bill@jbsenergy.com.
hydro@davis.com
groesenblum@caiso.com
sford@caiso.com
abb@eslawfirm.com
dkk@eslawfirm.com
atrowbridge@daycartermurphy.com
mpa@a-klaw.com
carlo.zorzoli@enel.it
dgulino@ridgewoodpower.com
bshort@ridgewoodpower.com
sesco@optonline.net
csmoots@perkinscoie.com
jbwilliams@mwe.com
myuffee@mwe.com
rshapiro@chadbourne.com
ralph.dennis@constellation.com
dmcfarlan@mwgen.com
brianhaney@useconsulting.com
david.saul@solel.com
chilen@sppc.com
rprince@semprautilities.com
hchoy@isd.co.la.ca.us
dhuard@manatt.com
pucservice@manatt.com
curtis.kebler@gs.com
sam@climaterestry.org
mgibbs@icfconsulting.com
Case.Admin@sce.com
j.eric.isken@sce.com
gary.allen@sce.com
laura.genao@sce.com
lizbeth.mcdannel@sce.com
tory.weber@sce.com
jyamagata@semprautilities.com
dwood8@cox.net
tim.hemig@nrgenergy.com

kmelville@sempra.com
gbass@semprasolutions.com
liddell@energyattorney.com
scottanders@sandiego.edu
bpowers@powersengineering.com
centralfiles@semprautilities.com
cmanzuk@semprautilities.com
irene.stillings@energycenter.org
jkloberdanz@semprautilities.com
dpapapostolou@semprautilities.com
jleslie@luce.com
lkostrzewa@edisonmission.com
pherrington@edisonmission.com
jmcarthur@elkhills.com
bjl@bry.com
pepper@cleanpowermarkets.com
chris@emeter.com
mdjoseph@adamsbroadwell.com
slefton@aptecheng.com
diane_fellman@fpl.com
freedman@turn.org
nao@cpuc.ca.gov
filings@a-klaw.com
nes@a-klaw.com
rsa@a-klaw.com
dickerson06@fscgroup.com
ell5@pge.com
mekd@pge.com
mrh2@pge.com
taj8@pge.com
cem@newsdata.com
bcragg@goodinmacbride.com
jscancarelli@flk.com
koconnor@winston.com
lcottle@winston.com
ldolqueist@steefel.com
ren@ethree.com
bobgex@dwt.com
stevegreenwald@dwt.com
CRMd@pge.com
cpuccases@pge.com
mdbk@pge.com
ecrem@ix.netcom.com
l_brown369@yahoo.com
mecsoft@pacbell.net

gxl2@pge.com
karp@pge.com
nbb2@pge.com
vjw3@pge.com
k.abreu@sbcglobal.net
mark_j_smith@fpl.com
beth@beth411.com
mhharrer@sbcglobal.net
andy.vanhorn@vhcenergy.com
alexm@calpine.com
kowalewskia@calpine.com
duggank@calpine.com
sbeserra@sbcglobal.net
phanschen@mofo.com
editorial@californiaenergycircuit.net
mrw@mrwassoc.com
mrw@mrwassoc.com
mrw@mrwassoc.com
rschmidt@bartlells.com
janice@strategenconsulting.com
chrism@mid.org
sarveybob@aol.com
gabriellilaw@sbcglobal.net
rmccann@umich.edu
puma@davis.com
demorse@omsoft.com
brian.theaker@williams.com
davidreynolds@ncpa.com
steveng@destrategies.com
dougdpucmail@yahoo.com
dcarroll@downeybrand.com
etiedemann@kmtg.com
kdw@woodruff-expert-services.com
steven@iepa.com
www@eslawfirm.com
vwood@smud.org
rlauckhart@henwoodenergy.com
jesus.arredondo@nrenergy.com
karen@klindh.com
pholley@covantaenergy.com
rfp@eesconsulting.com
dws@r-c-s-inc.com
ppl@cpuc.ca.gov
ayk@cpuc.ca.gov
cab@cpuc.ca.gov

chh@cpuc.ca.gov
djh@cpuc.ca.gov
joh@cpuc.ca.gov
jmh@cpuc.ca.gov
msw@cpuc.ca.gov
mjd@cpuc.ca.gov
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skg@cpuc.ca.gov
tdp@cpuc.ca.gov
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tcr@cpuc.ca.gov
tbo@cpuc.ca.gov
snuller@ethree.com
bmeister@energy.state.ca.us
dks@cpuc.ca.gov
kris.chisholm@eob.ca.gov
mjaske@energy.state.ca.us
wsm@cpuc.ca.gov
ikwasny@water.ca.gov
mmiller@energy.state.ca.us
rwethera@energy.state.ca.us